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CLARIFICATION OF FACTORY FUND FINANCING
AND DISBURSEMENT IN POLAND

Leon Kulczycki

The Factory Fund Law, promulgated in 1950, created a basis for the establish-
ment of a fund in state industrial enterprises to cover prizes for workers and to
cover investments for cultural and social purposes not provided for in the plan.
Another source of revenue has been added to the regular allowance in the budget
for these expenditures. To improve the status of the working masses, the people's
government also assigned a part of the profits of these enterprises for workers'
allowances.

The law provides that a factory fund may be established by any enterprise
which has achieved or exceeded both the over-all plan and the plan according
to assortments, and has realized at least the planned profit. Thus, the Factory
Fund Law has become an incentive to increase the productivity of labor, to eradi-
cate waste of raw materials and equipment, and to develop efficiency and ingenuity.

The accumulated factory fund may form a financial basis for carrying out
large-scale social programs, as evidenced by the large sums which were accumu-
lated in 1949 from group premiums of workers [the predecessor to the factory fund].

Before the Factory Fund Law was promulgated, group premiums existed in the
state enterprises for the purpose of covering the social needs of the workers.
The premiums were derived from the profits of the enterprise in accordance with
the Decree of 4 June 1946 on the distribution of profits and the covering of
losses in state enterprises. In 1949, by a resolution of the Economic Committee
of the Council of Ministers, a part of these sums was grouped and placed at the
disposition of the Central Council of Trade Unions, creating a fund of 500
million zlotys (former value). Three hundred million zlotys of this was used
for renovating and building houses for workers, 80 million for cultural and edu-
cational programs at workers' vacation resorts, 80 million for an educational

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program, and 40 million for athletic facilities. Of the amount allocated for residential construction, 250 million zlotys were used for nonrepayable credits to shockworkers for repairs and for the completion of individual houses. The sum of 50 million zlotys was placed at the disposition of the textile and the metals industries for the building of homes for shockworkers.

The Factory Fund Law provides additional funds for social purposes and associates the fund more closely with the factory. It stipulates that the fund may be used only for the needs of the workers and that the factory management and the factory council are to handle the disposition of the funds.

Great opportunities have opened up for the factory union organizations to increase the workers' allowances by assisting in the realization of additional profits for the enterprise.

The benefits of the law were not fully realized in 1950; only a few enterprises activated a factory fund. The significance of the fund was not appreciated in time for the factory councils to achieve, by the end of the year, the conditions required for the activation of a fund. The fund did not receive adequate publicity, and neither the union activists nor managements were sufficiently acquainted with the basis for creating the fund. The higher authorities did not instruct the factory managements of the provisions of the law and did not provide for proper implementation of the law.

Since the regulations of the law, in addition to the fund, provided for premiums to outstanding workers and covered outlays for organizing work independently of the creation of the fund, many managements were content to satisfy the most pressing needs and abandoned the idea of creating a factory fund. The factory councils did not insist on creating a factory fund because they did not know the provisions of the law. In many instances the right to create the fund was forfeited because the plan for respective commodity assortments had not been completed.

Based on experience gained in 1950, the Council of Ministers issued new regulations which provided that an enterprise may activate a factory fund provided that it has, (1) achieved the production plan in the stipulated assortment, (2) realized the planned profits, and (3) reduced internal production costs as compared with the previous year.

The few enterprises which are not run for profit, may create a factory fund based on the achievement of the production plan and the reduction of internal costs.

In special instances, where the nonachievement of the plan was not the fault of the enterprise, the higher authority may permit the enterprise to activate a factory fund.

Moreover, the Presidium of the Council of Ministers issued an order raising the quotas for the factory fund. The participation in above-plan profits was raised from 15 to 30 percent in enterprises under the Ministry of Mining, from 15 to 20 percent in heavy industry, and from 10 to 15 percent in light industry. The participation in planned profits was raised from 2 to 4 percent in the mining industry, from 2 to 2.5 percent in heavy industry, and from one to 2 percent in light industry.

In 1950, the top limit of amount credited to the factory fund was 2.5 percent of the payroll of a given enterprise. In 1951, the limit was raised to 3 percent.

The amounts credited to the factory fund as established in 1950 were uniform for all enterprises in a given ministry. In 1951, the Presidium of the Council of Ministers ruled that a ministry may differentiate between the various groups

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of industries. However, the amount may not exceed the top limit established by the Factory Fund Law of 4 February 1950, it may not exceed the quota established for a given ministry, and the amount calculated on profits in excess of the plan must be proportional to that calculated on planned profits.

The differentiation between the various groups of industries shall be established by the proper minister in agreement with the Minister of Finance with the approval of the Chief Council of Trade Unions.

Enterprises of many branches of industry have much greater opportunities for organizing factory funds than they had in 1950. Moreover, since awards for workmen may be drawn only from the factory funds, the project cannot be neglected as easily as it was in 1950.

The general principles for handling the factory fund are the same as in 1950. Article 1 of the law provides that a factory fund may be organized in state production enterprises -- power enterprises, manufacturing and processing enterprises, and those exploiting natural resources. The law does not cover central marketing and purchasing offices, transportation enterprises, central administrations, or industrial associations.

The factory fund is accumulated in the current fiscal year by depositing payments on account credited to a special bank account. These payments consist of 50 percent of the sum calculated on the basis of the profit and loss statement prepared for the first, second, and third quarters. The charge for the final quarter makes an adjustment for the entire year and is calculated in the first quarter of the following year.

Since the organization and size of the factory fund depend on the direct contribution of labor, the Council of Ministers' order of 24 March 1951 on the implementation of the law provides that: "Should planned profits, above-plan profits, reduction in costs, or the nonachievement of planned profits or planned reduction of costs be due to unforeseen circumstances, the effect of these circumstances shall be disregarded in calculating the charges for the factory fund."

The circumstances referred to above include the following:

1. Changes in the price of basic raw materials, supplementary materials, fuels, etc.
2. Changes in workers' allowances and wages.
3. Changes in the valuation of inventories.
4. Changes in the prices of finished goods, semifinished goods, and goods in process.

Accrued arrears in planned profits shall be subtracted before the charge for the factory fund is calculated.

Should the quarterly advance payments credited to the factory fund exceed the final amount for the year, as calculated on the basis of the closing profit and loss statement, an adjustment should be made to the correct amount.

If such excess advance payments to the fund have been expended, the excess should be subtracted from the amount due the factory fund for the ensuing year. No expenditures may be charged to the current accruals to the fund until such excess payments have been adjusted. Unused balances in factory funds of liquidated enterprises shall be transferred to the National Budget.

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The management of the enterprise in agreement with the Factory Council shall handle the disposition of the factory fund and shall determine the portion of the fund to be allocated for various expenditures.

The following principles shall be followed in the distribution of the factory fund: (a) 50 percent of the fund shall be allotted for cultural and social investments not included in the plan, for residential construction in excess of the plan, and for the social activities' budget, (b) 30 percent for work competition organized in factories, and (c) 20 percent for individual awards to workers.

In certain approved cases, the manager of the enterprise, in agreement with the Factory Council, may alter the above distribution of the factory fund, but the allocation for individual awards may not exceed 20 percent of the fund.

The allocations for social and cultural purposes shall be used to expand cultural services, develop athletics, increase mother and child care, and improve pertinent facilities and equipment.

The director, in agreement with the Factory Council, shall handle allotments for work competition. Proposals for awards to outstanding workers in work competition shall be made by the Factory Council on the basis of results evaluated by union groups and factory division councils. The awards shall range between 100 and 300 zlotys; for outstanding work the prizes may exceed 300 zlotys. The prizes may not total more than 20 percent of the amount allocated for work competition. Prizes awarded to groups shall be divided among individual members according to their individual contribution to the total effort.

The Presidium of the Council of Ministers has ruled that in enterprises not eligible for a factory fund, expenditures for work competition and individual prizes shall be covered by the budget but these may not exceed 0.4 percent of the payroll for work competition and 0.4 percent for individual prizes. The principles for the distribution of these funds shall be set up by the chairman of the State Economic Planning Commission in agreement with the Central Administration of Trade Unions.

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